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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
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THE TOBACCO PRICE SITUATION

Flue-cured Tobacco

Auction floor markets for flue-cured tobacco opened in the South Carolina Belt, type 15, on August 16 and in the Georgia Belt, type 14, on August 18. Opening prices in Georgia averaged \$10.15 per hundred pounds, compared with \$7.33 per hundred pounds for the opening week in 1931. In South Carolina, also, prices averaged higher than in 1931, but the improvement was confined entirely to the lower grades. Prices for better grades were at about the same level as last year.

As the season has advanced, prices have showed some improvement over those which were paid at the opening. In Georgia, sales during the second week averaged \$11.16 per hundred pounds compared with \$10.15 a week earlier and \$7.56 for the corresponding week of 1931. The increases have been greatest in the case of heavy leaf and lugs, particularly the lower qualities, but improvement has been shown in the prices of other grades. In South Carolina, where a Federal-State tobacco grading service is in operation, the Tobacco Market News Service of the Bureau of Agricultural Economics indicates that the prices of medium to low quality orange leaf have been about 40 per cent above the level of 1931, and prices for low grade lugs about 70 per cent above 1931. At the same time medium to good quality lugs have been bringing around 20 per cent more than in 1931 and cutters around 10 per cent more.

These improvements in price over the low levels of 1931 may be attributed largely to the drastic curtailment in production which occurred in 1932. However, an additional factor apparently has been an increase of direct buying for export, as contrasted with last season when the amount of such buying was reported to be unusually small. Increased buying by manufacturers of 10-cent brands of cigarettes may also be a contributing factor, particularly on the lower grades of tobacco.

Supplies in the United States

The prospective supply of flue-cured tobacco in the United States for 1932-33 is 1,089,000,000 pounds. This is 19 per cent less than in 1931-32 and 26 per cent less than the record supply of 1930-31. Production in 1932 was estimated on August 1 at only 344,000,000 pounds, compared with 665,000,000 pounds in 1931 and 864,000,000 pounds in 1930. Stocks of old tobacco held by dealers and manufacturers, on the other hand, were reported at 745,000,000 pounds on July 1, 1931, compared with 677,000,000 pounds a year earlier and 599,000,000 pounds two years earlier. The stocks are about 10 per cent larger than in 1931 but production is only about half as large. Should this forecast of production prove to be correct it will be the smallest crop of flue-cured produced in this country since 1918.

The principal reasons for the reduced production in 1932 were, first, a widespread reduction of acreage following the low prices of 1931, and later, a shortage of plants resulting from freezes and damage by blue mold and flea bugs. In addition, the weather during important periods of the growing season was unsatisfactory in many parts of the district.

For the separate types of flue-cured tobacco the prospective supplies for 1932-33 compare with those in 1931-32 as follows: Type 11 (Old Belt), 17 per cent less; Type 12 (eastern North Carolina), 16 per cent less; Type 13 (South Carolina), 16 per cent less; Type 14 (Georgia and Florida), 41 per cent less. (See Table 2) For each of these types the production indicated by August 1 conditions was less than the amount harvested in 1931, the reductions varying from 42 per cent in the case of Type 11 to 74 per cent for Type 14. July 1 stocks on the other hand were larger than in 1931 for all types except 14, which showed a reduction of 8 per cent. Stocks of Type 11 were 7 per cent greater than in 1931, those of Type 12, 15 per cent greater and those of Type 13, 20 per cent greater.

Among the several grade groups recognized in the United States standard classification, the principal increases in stock in 1932 occurred in lugs, and in the less important groups, scrap and nondescript. For the flue-cured types, as a whole, the stocks of cutters or thin leaf showed little change from a year earlier, while the stocks of wrapper and heavy leaf each declined about 5 per cent. (See Table 3)

Consumption of flue-cured products.

The rates of consumption of products in which American flue-cured tobacco is used showed some slackening in 1930. However, in most countries it was not until 1931 that actual declines were recorded. These declines so far appear to have carried forward into 1932, but the apparent reductions in consumption have not been as great as the reduction in available supplies.

In the United States, where flue-cured consumption exceeds that in any other country, this tobacco is used in the manufacture of cigarettes and chewing and smoking tobacco. According to reports of the Commissioner of Internal Revenue covering the first seven months of 1932, compared with the same period in 1931, the consumption of cigarettes declined 12.4 per cent and the consumption of manufactured tobacco (smoking and chewing combined) declined 4.4 per cent. (See Table 1). It is not known definitely how much the consumption of flue-cured tobacco has been affected by these changes but the total decline has probably been somewhere between 5 and 10 per cent. This is based upon the assumption that the influence of smokers shifting from ready-made cigarettes to the cheaper home-made cigarettes and pipes, as indicated by the above figures, has been less of a disadvantage for flue-cured tobacco than for other cigarette types. There are no definite statistics to support this assumption, but it appears to be operating in this depression as it did in 1920 and 1921.

In the United Kingdom, where approximately 80 per cent of the flue-cured tobacco exported to Europe is used, largely in making cigarettes, consumption by manufacturers declined about 8 per cent in 1931, compared with 1930. Domestic consumption was only about 1 per cent smaller in 1931 than in 1930 but exports of manufactured cigarettes declined by more than 30 per cent. This was due largely to reductions of cigarette imports by China and India, countries which have usually taken most of the exports from the United Kingdom. During the first part of 1932 domestic consumption showed a further small decline, as compared with the preceding year, and exports of cigarettes to China and India remained at low levels. However, cigarette exports to other countries were slightly larger during the first five months of 1932 than for the same period of 1931.

On the Continent of Europe the consumption of flue-cured tobacco appears to have been about 8 per cent smaller in 1931 than in 1930. This was due largely to reduced exports of smoking mixtures by the Netherlands and to reduced domestic consumption of cigarettes and smoking mixtures containing flue-cured tobacco in other countries. Such reports as are available indicate that consumption has continued to decline into 1932, but it appears that the rate of decline is slightly less than for the latter part of 1931.

In China, where uses of American flue-cured tobacco usually rank with those of the United Kingdom in importance, consumption has been affected adversely by military activities and by changes in the rates of taxation upon cigarettes. These have interfered particularly with the distribution of products to consumers, but the change in taxes, which became effective March 21, also caused financial difficulties among the manufacturers of low priced cigarettes. Approximately 75 per cent of all cigarettes consumed in China have been selling in this low priced group. When taxes on this class of products were raised about 40 per cent, the increase proved to be larger than could be carried by the consumers. Recent reports indicate that further modifications in taxes may soon be made but it is not anticipated that the consumption of flue-cured tobacco for the remainder of 1932 will be very different from that of 1931. The trend of consumption of this tobacco in China has been upward for a number of years.

Exports

Numerous uncertainties still surround the situation regarding exports of flue-cured tobacco. Shipments to foreign countries during the past year have been far below those of 1930-31 and the smallest in recent years. For the first seven months of 1932 the exports have totaled only 104 million pounds. This is only about half as large as the quantity exported during the same period of 1931 and 33 per cent less than the 5-year average, 1926-30, for these months. Declines have occurred in practically all of the importing countries but the reduction for China has been by far the most severe. (See Figs. 2 and 3)

From the standpoint of consumption it is generally considered that the quantity of flue-cured tobacco exported from the United States during the past several months has not been large enough to take care of manufacturing requirements in the importing countries. Reduced stocks have been reported in the United Kingdom and France, and it is probable that small reductions have occurred in some of the other European countries. However, since most tobacco manufacturers usually carry enough tobacco on hand to provide them with two or more years of supply, it is possible for considerable changes to take place in stocks without being corrected immediately. Also, with the decreased consumption of tobacco products it may not be necessary to carry such large stocks. In China it appears that stocks have been reduced to some extent from the high level of six months ago, but recent reports indicate that they are still quite large.

In the matter of substituting flue-cured tobacco produced in other countries for that grown in the United States, it does not appear that any new developments have taken place during the past few months. Reports of the Ottawa Conference so far have not indicated any change in the preference given to Empire-grown leaf imported into the United Kingdom. However, as pointed out in previous statements of this Bureau, the present system of preferences has been giving an effective stimulus to the consumption of such leaf in that country. In Australia, the recent adjustments in tariffs and excise taxes have not been in effect long enough to determine how much influence they will have upon imports from this country. The intent of these acts was to make Australia self-sufficient in production but it is generally recognized that this cannot be done immediately, if ever.

Financial difficulties and strained credit conditions have kept the buying of several countries upon something of a hand-to-mouth basis. It has been expected that with improvement in economic conditions the buying of these countries would be resumed upon more of a normal basis, but at this time it is not possible to determine whether any change of this sort may be expected during the present market season.

Table 1.-- Tobacco products: Quantities withdrawn for consumption as indicated by sales of United States Internal Revenue Stamps, stated periods, 1931 and 1932

Products	Seven months, Jan. to July:						July	
	Unit	1931		Decrease	1931		Decrease	
		Millions	Millions	Per cent	Millions	Millions	Per cent	
Small cigarettes....	No.	70,139.9	61,435.2	12.4	10,700.9	9,534.6	10.9	
Manufactured tobacco	lbs.	191.5	183.1	4.4	27.3	24.3	10.8	
Snuff	"	24.1	21.6	10.3	3.4	2.4	28.5	
Large cigarettes....	No.	4.4	2.4	45.1	.5	.2	51.9	
Small cigars....	"	214.7	170.1	20.8	24.9	18.7	24.8	
Large cigars <u>2/</u>	"							
Class A.....	"	2,276.5	2,105.8	7.5	380.1	315.6	17.0	
" B.....	"	137.2	32.5	76.3	7.4	4.5	39.5	
" C.....	"	800.8	494.1	38.3	112.3	58.4	48.0	
" D.....	"	50.6	30.7	39.3	6.9	3.7	45.7	
" E.....	"	5.6	1.8	67.8	1.0	.3	72.3	
Total	"	3,270.7	2,664.9	18.5	507.7	382.5	24.6	

Division of Statistical and Historical Research. Compiled from monthly reports of the Commissioner of Internal Revenue.

1/ Smoking and chewing combined.

2/ Classified according to intended retail prices: Class A, not more than 5 cents each; B, 5.1 to 8 cents; C, 8.1 to 15 cents; D, 15.1 to 20 cents; E, 20.1 cents and over.

Table 2.-Tobacco, flue-cured: Production, stocks, disappearance and price per pound, 1919-20 to 1932-33

Year	Production	Stocks	Total	Disappear-	Price per
	: Million : pounds	: Million : pounds	: Million : pounds	: Million : pounds	: Cents
1919-20	476.9	327.3	804.2	500.0	44.4
1920-21	616.0	304.2	920.2	437.1	21.5
1921-22	358.8	483.1	841.9	401.2	21.9
1922-23	415.4	440.7	856.1	417.4	27.2
1923-24	580.7	438.7	1,019.4	542.8	20.8
1924-25	437.3	476.6	913.9	451.6	21.6
1925-26	575.1	462.3	1,037.4	582.0	20.0
1926-27	560.1	455.4	1,015.5	549.0	24.9
1927-28	718.8	466.5	1,185.3	620.3	20.5
1928-29	739.1	565.0	1,304.1	714.1	17.3
1929-30	749.7	590.0	1,339.7	740.4	18.0
1930-31	864.3	599.3	1,463.6	786.8	12.0
1931-32	665.0	676.8	1,341.8	596.6	8.5
1932-33	1/ 344.1	745.2	1,089.3	---	---
			Type 11		
1929-30	262.9	291.0	553.9	274.2	17.9
1930-31	294.1	279.7	573.8	268.2	11.0
1931-32	236.8	305.6	542.4	214.4	7.7
1932-33	1/ 121.1	328.0	449.1	---	---
			Type 12		
1929-30	265.3	171.2	436.5	262.5	18.9
1930-31	315.9	174.0	489.9	282.9	13.4
1931-32	251.8	207.0	458.8	221.0	9.0
1932-33	1/ 147.2	237.8	385.0	---	---
			Type 13		
1929-30	128.4	75.7	204.1	122.5	16.0
1930-31	145.3	81.6	226.9	126.1	12.4
1931-32	113.3	100.8	214.1	93.0	10.1
1932-33	1/ 59.3	121.1	180.4	---	---
			Type 14		
1929-30	93.1	52.1	145.2	81.2	18.4
1930-31	109.0	64.0	173.0	109.6	10.0
1931-32	63.1	63.4	126.5	68.2	6.4
1932-33	1/ 16.5	58.3	74.8	---	---

Division of Statistical and Historical Research. Compiled from records of Division of Crop and Livestock Estimates, Tobacco Section, and Bureau of the Census.

1/ Estimated, August 1, 1932, Division of Crop and Livestock Estimates.

Table 3.- Tobacco, flue-cured: Stocks in hands of dealers and manufacturers, by groups of grades, July 1, 1930, 1931 and 1932

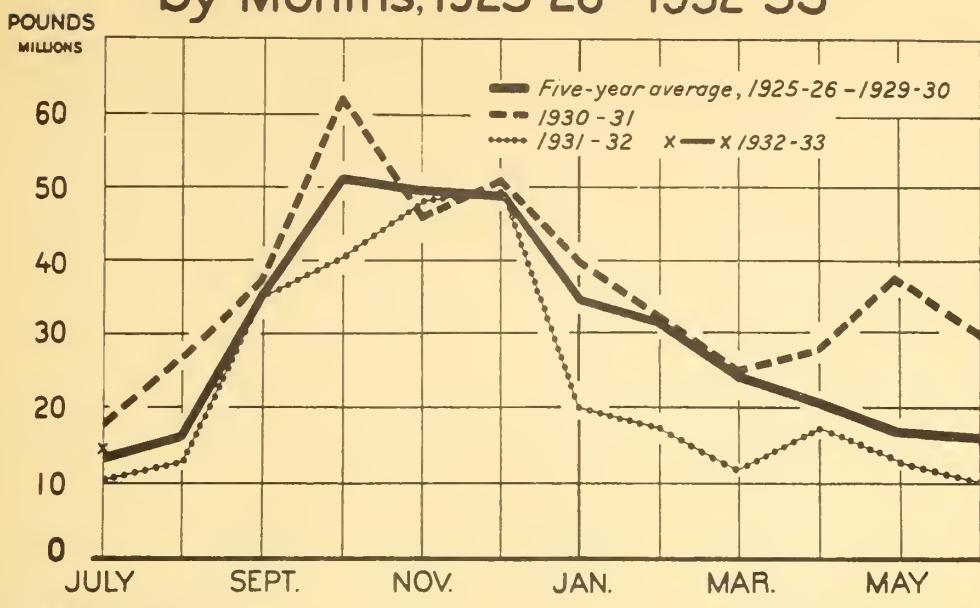
Group	1930		1931		1932		Percentage change 1932 from 1931
	Million pounds	Per cent	Million pounds	Per cent	Million pounds	Per cent	
Total all types							
A, Wrapper	9.6	1.6	8.4	1.3	8.0	1.1	-5
B, Leaf	123.4	20.6	170.6	25.2	161.9	21.7	-5
C, Cutters	237.1	39.6	225.7	33.3	227.4	30.5	+1
X, Lugs	219.0	36.5	259.8	38.4	326.6	43.8	+26
S, Scrap	9.6	1.6	11.5	1.7	20.3	2.7	+77
N, Nondescript . .	.6	.1	.8	.1	1.0	.2	+29
Total	599.3	100.0	676.8	100.0	745.2	100.0	+10
Type 11							
A, Wrapper	8.2	2.9	7.4	2.5	7.2	2.2	-3
B, Leaf	70.9	25.4	91.8	30.0	79.0	24.1	-14
C, Cutters	98.2	35.1	84.3	27.6	79.2	24.1	-6
X, Lugs	96.6	34.5	116.1	38.0	152.6	46.5	+32
S, Scrap	5.6	2.0	5.6	1.8	9.6	3.0	+72
N, Nondescript . .	.2	.1	.4	.1	.4	.1	+18
Total	279.7	100.0	305.6	100.0	328.0	100.0	+7
Type 12							
A, Wrapper . . . .	.2	.1	.2	.1	.2	.1	-4
B, Leaf	22.6	13.0	43.5	21.0	49.4	20.8	+14
C, Cutters	79.3	45.5	74.2	35.8	76.9	32.4	+4
X, Lugs	69.0	39.7	84.1	40.7	104.5	43.9	+24
S, Scrap	2.7	1.6	4.8	2.3	6.4	2.7	+33
N, Nondescript . .	.2	.1	.2	.1	.4	.1	+73
Total	174.0	100.0	207.0	100.0	237.8	100.0	+15
Type 13							
A, Wrapper . . . .	.5	.6	.6	.6	.5	.4	-12
B, Leaf	15.4	18.8	23.8	23.7	21.6	17.8	-10
C, Cutters	26.1	32.0	29.6	29.3	39.1	32.3	+32
X, Lugs	38.4	47.1	45.8	45.4	55.8	46.1	+22
S, Scrap	1.1	1.3	.8	.8	3.9	3.2	+400
N, Nondescript . .	.1	.2	.2	.2	.2	.2	+9
Total	81.6	100.0	100.8	100.0	121.1	100.0	+20
Type 14							
A, Wrapper . . . .	.7	1.1	.2	.2	.1	.1	-62
B, Leaf	14.5	22.6	11.5	18.1	11.9	20.3	+3
C, Cutters	33.5	52.4	37.6	59.3	32.2	55.2	-14
X, Lugs	15.0	23.4	13.8	21.8	13.7	23.5	-1
S, Scrap . . . . .	.2	.4	.3	.5	.4	.8	+56
N, Nondescript . .	.1	.1	*	.1	*	.1	-14
Total	64.0	100.0	63.4	100.0	58.3	100.0	-8

Division of Statistical and Historical Research.

Compiled from reports of the Tobacco Section, Bureau of Agricultural Economics.

* Less than 50,000 pounds.

Flue-Cured Tobacco: Total Exports by Months, 1925-26 - 1932-33

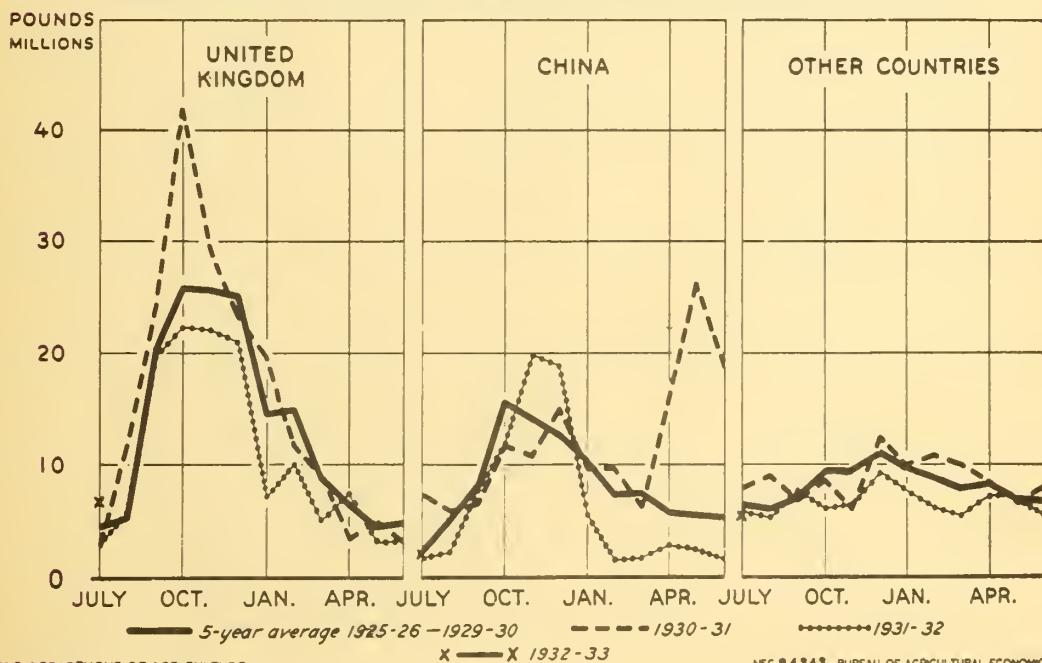


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FIGURE 1 - FROM JULY, 1931, TO JUNE, 1932 FLUE-CURED EXPORTS WERE 34 PER CENT LESS THAN FOR THE FISCAL YEAR 1930-31, 20 PER CENT BELOW THE 5-YEAR AVERAGE, 1925-26 TO 1929-30. IN NOVEMBER AND DECEMBER, 1931, EXPORTS TO CHINA WERE ENOUGH LARGER THAN USUAL TO PRACTICALLY OFFSET THE DECLINES FOR OTHER COUNTRIES, BUT SINCE JANUARY TOTAL EXPORTS HAVE BEEN GREATLY REDUCED

FLUE-CURED TOBACCO: EXPORTS TO UNITED KINGDOM, CHINA, AND OTHER COUNTRIES, BY MONTHS, 1925-26 - 1932-33



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FIGURE 2 - EXPORTS OF FLUE-CURED TOBACCO HAVE BEEN REDUCED FOR ALL IMPORTANT IMPORTING COUNTRIES. GENERALLY LOWERED BUYING POWER OF CONSUMERS, ABANDONMENT OF THE GOLD STANDARD AND AN INCREASE OF IMPORT DUTY IN THE UNITED KINGDOM, MILITARY OPERATIONS AND INTERNAL TAX CHANGES IN CHINA, AND FINANCIAL AND ECONOMIC DIFFICULTIES IN OTHER COUNTRIES HAVE ALL BEEN CONTRIBUTING FACTORS

